

February 3, 2000 - Update on Model Language for DOT/GSA Travel Task Orders

Attached is the latest, and hopefully the last, revision of our guidance for the DOT field offices that opt to use the GSA Master Travel contract. As most of you know, while GSA now requires fees to be paid for travel services, GSA requires Travel Management Centers to remit back all commissions generated from domestic and international airfares. We also require commissions from car rentals and hotel sales to flow back to your organization. We recognize the difficulty and costs that Travel Management Centers encounter in tracking car and hotel commissions for small accounts. Accordingly, the attached model task order language will have the following provision which applies when combined task orders involve less than \$1.5 million in annual travel activity:

**"Travel Management Centers (TMC) servicing DOT elements with accounts under \$1.5 million in annual combined domestic and international travel activity will not have to track and remit commissions generated from car and hotel bookings as well as hard and "soft" compensation. A DOT account is composed of all organizational elements under each of DOT's Operating Administrations (FAA, USCG, FHWA, etc.) serviced by the same TMC from the same service location. DOT task orders with accounts under \$1.5 million which request and are granted the use of a Satellite Ticket Printer (STP) are exempt from this policy (i.e., TMCs will be required to remit car and hotel commissions as they can easily be associated with the STP). The attached spreadsheet outlines the TMC reporting requirements"**

*Note- Contracting officers should expect to receive concessions in the fees charged by the TMC when the TMCs retain hotel and car commissions as the TMC income is increased by these retained funds.*

As noted in item #2 of the attached guidance, all commissions will be collected through a single facility (FAA/Oklahoma City) and distributed back to your organization. DOT has special authority which allows commissions collected and disbursed through this account to be available for expenditure until the end of the calendar year rather than the end of fiscal year. This special authority also allows DOT to allocate commissions back to elements of the Department using "fair and equitable" criteria instead of the expensive and painful process of trying to link each trip, the commissions received from each vendor, and the funding appropriation(s). The allocation method is particularly useful to distribute commissions generated from car rental companies and hotels as these companies lump commissions and pass on little documentation with their commissions. Additionally, not all hotels and car rental companies pay commissions on government rates. These circumstances make it time consuming, expensive and practically impossible to link the commissions to the specific transactions that generated them. Allocating commissions based on bookings creates an incentive to book cars and hotels through the TMC as commission income to the travelers is increased.

The attached model language also contains a reporting requirement designed to assist Oklahoma City in allocating commissions back to your organizational elements. Commissions collected by the TMC will be allocated to your respective regions or divisions based total air sales (domestic and international), car and hotel bookings. Distribution for accounts under \$1.5 million annually or for accounts which do not use a STP will be only based on total air sales. It is up to each individual region/division to decide how they want to allocate commissions.

Below are Questions and Answers which will give you additional information on the Department's policy on commission distribution. Please remind your travelers that by using the TMC to book *all* portions of a trip, they will be charged the same fee yet more commissions will be received by your organization. Also, booking all legs of a trip through the TMC will give you better travel management information and help reduce federal staff time currently being spent on hotel and car bookings.

Arnie Linares  
Office of the Chief Financial Officer  
202/366-0520  
[arnie.linares@ost.dot.gov](mailto:arnie.linares@ost.dot.gov)

-----

## **Distribution of Travel Commissions - Qs & As for TMC's Under Fee Contract**

(as of 2/3/2000)

*What are the commission rates paid by airlines, hotels and car rental companies?*

Currently, commissions on domestic airline tickets are 5% of fares net of taxes with a cap of \$25 for one-way tickets and \$50 round trip tickets. Hotels pay an average of 10%. Generally, car rental companies and AMTRAK pay 5%.

*Do all airlines, hotels and car rental companies pay commissions?*

No. Some hotels do not pay commissions, particularly when offering rooms at government rates. Commissions are frequently not collectable. TMCs are asked to use the same diligence in collecting commissions on our account as they do on their own behalf.

*What are overrides?*

Overrides are monetary and other incentives paid by the airlines to travel agencies as a reward for shifting market share. These are small irregular payments which are also rebated.

*Are there any other collections?*

Yes. In Washington, we collect a modest amount of rent from the use of the space at the three ticket pick-up facilities. Rent is based on the space used.

*Do airlines, hotels and car rental companies pay commissions on a uniform cycle?*

Airlines do but car rental companies and hotels do not. Airlines have a "clearing house" called the Airline Reporting Corporation (ARC) which facilitates the payment of commissions by the airlines to the travel agencies. ARC consolidates these payments and more importantly passes on back up documentation to the travel agencies which makes it easier to identify the transactions generating the commissions.

Car rental companies and hotels send commissions directly to travel agencies on individual transactions. Car rental companies and hotels pass on little back up documentation with their commissions which make it time consuming, expensive and practically impossible to

link the commissions to the transactions that generated them. **This is the key reason why we do not attempt to relate individual transactions to commissions received.**

*How are commissions distributed?*

In most cases, will we use the OA's percentage of air sales (domestic and international) and car and hotel bookings as the basis for distribution. This formula gives an incentive to the OAs to use the Travel Service to also book the hotel and car portion of their trips. These initiatives translate into us being charged the same fees yet receiving more commissions, collecting better information for management purposes and reducing federal staff time currently being spent on hotel and car bookings.

### **Commission Distribution Policy** (initially applied to Headquarters contract)

#### **Distribution Period: February-April 1998**

Commissions collected for air, car and hotel were distributed based on the percentage of net domestic airline ticket sales. Net air fares mean airfares after exchanges and refunds.

For this first period, we did not include car and hotel bookings as factors in our commissions distribution formula as they lag in comparison to air commissions.

#### **Subsequent Distribution Periods**

Commissions collected for air, car and hotel were distributed based on the percentage of the total net airline ticket sales (both international and domestic) and hotel and car rental bookings.

We have added hotel bookings, car bookings and international net airline ticket sales to our distribution formula for the reasons noted above. Essentially, if you generate more commissions you get more rebates.

*I heard that there are some administrative costs involved in this process and that there are plans to fund some Department-wide travel initiatives using commissions? Is that true?*

Yes. We use funds generated by overrides and rent (not commissions) to fund administrative costs and travel projects before we ask the operating administrations to share in the funding using the commissions.

Our goal for administrative costs is to stay below the .56% of domestic air sales currently being charged by GSA to other Federal agencies on the old contracts and \$2.25 per transaction on the new GSA contracts.

We have an "open book policy" as it relates to all documents associated with commission distribution. If you would like additional information, please contact Arnie Linares at 202-366-0520 or [arnie.linares@ost.dot.gov](mailto:arnie.linares@ost.dot.gov).